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PROGRAMME IMPLEMENTATION

Agency support costs

Note by the President

The Director-General of the Food and Agriculture Organization of the United Nations has transmitted to the President of the Governing Council a report of the joint meeting on UNDP support costs successor arrangements, Rome, 16 May 1990.

The report is transmitted herewith to the Council for its information.

GE.90-61442/3564a

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

PROGRAMME AND FINANCE COMMITTEES

Report of the
Joint Meeting on UNDP Support Costs Successor Arrangements

Rome, 16 May 1990

1. In accordance with the desire expressed by the Conference at its twenty-fifth session, the Programme and Finance Committees jointly considered the developments in the study of and discussions on UNDP support cost arrangements. The Committees recognized that the question of successor arrangements for reimbursement to FAO of support costs incurred in the implementation of UNDP-funded projects had significant implications for the future of FAO's Regular and Field Programmes.

2. The Committees recalled their thorough assessment of the Organization's field operations in the context of the Review of FAO in 1988/89. They had confirmed that FAO's field operations proved to be a vital instrument for making available to governments its worldwide development experience and that FAO's performance compared favourably with that of other United Nations agencies. The Conference had also recognized the catalytic importance of FAO's field operations to Member Nations, recipients and donors alike. In partnership with member countries, the Field Programme had given concrete expression to FAO's aims and objectives and made its presence and impact felt in developing member countries.

3. While recognizing the evolution in operational activities, the Committees expressed strong support to the continued validity of the principle of partnership as laid down in the 1970 Consensus. They stressed the need to maintain the multilateral nature of United Nations operational activities, while avoiding duplication in the implementation of activities.

4. The Committees fully supported the increased emphasis given to the role of recipient governments in the co-ordination and management of United Nations operational activities. The view was expressed that FAO's field operations gave the opportunity to governments to assume such responsibilities in the manner desired by them. The Committees further supported the commitment to the promotion and enhancement of the national/government execution and expressed their appreciation for the efforts made by the Organization within its own field programmes. They also stressed in this regard that there should be an increasingly closer relationship with issues covered in General Assembly resolution 44/211 on operational activities.

5. The majority of the Committees emphasized that the very basis of the Organization's field operations, as well as its mandate for the provision of expertise and advice were directly opened to question by the proposals so far under consideration, which could jeopardize the effectiveness of the Organization's field programmes and compromise the basic principles of partnership confirmed by the Consensus of 1970. Some members did not agree with this analysis.

6. The Committees stressed that the continued access of governments to the expertise and accumulated experience of agencies should not be endangered.

They also noted with concern the possible and undefined implications for the Organization with regard to its structure and staff directly involved in the support of field programmes.

7. The Committees recalled the discussion on agency support costs during the twenty-fifth session of the Conference. The Conference pointed to the decision of the ACC (1989/29) on the need to allow Governing Bodies of the executing agencies to consider the implications of new arrangements, and urged that no premature decision be taken by the UNDP Governing Council. In this context the Committees noted that the FAO Council could only consider this issue at its next session in November 1990.

8. The Committees noted that none of the proposals put forward so far provided an assessment of their financial, administrative and structural implications for all parties concerned. They stressed that a careful assessment of the present support cost arrangements and an in-depth analysis of the implications of any proposed successor arrangements were required.

9. Without prejudging the outcome of the debate in the UNDP Governing Council, the Committees felt that any decision taken before a thorough assessment of the implications would be premature.

10. The majority of the Committees recommended that the issues involved should be brought to the attention of the Council and Conference. The majority expressed the strong hope that no final decision be taken by the forthcoming session in June 1990 of the UNDP Governing Council until the governing bodies of the specialized agencies were consulted and their views taken into account. A few members did not share the above views however, and expressed that in the light of discussions held so far, they saw no basis for postponing a decision indicating the direction of future support cost arrangements.

11. Some members stressed the importance they attached to future arrangements taking into account Resolution 44/211: Comprehensive Triennial Policy Review of Operational Activities for Development of the United Nations System.

12. While noting the position of a few members who do not wish that a decision of the UNDP Governing Council be postponed, the majority of the Committees requested the Director-General to transmit their report to the President of the UNDP Governing Council, and stressed that the UNDP should not take any premature decision regarding this matter.

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READEX

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PROGRAMME IMPLEMENTATION

Agency support costs

Note by the President

The President of the Council of the International Civil Aviation Organization (ICAO) has transmitted to the President of the Governing Council a statement adopted by the Council of ICAO on 10 May 1990.

The statement is transmitted herewith to the Council for its information.

GE.90-61448/6452A

STATEMENT ADOPTED BY THE COUNCIL OF THE INTERNATIONAL CIVIL AVIATION ORGANIZATION (ICAO) AT THE FIRST MEETING OF ITS 130TH SESSION ON 10 MAY 1990

The ICAO Council holds technical assistance for civil aviation in high regard for it recognizes that, for many countries, technical assistance plays a major part in implementing the regulations which the Organization develops, and that a well developed civil aviation infrastructure is a major element in the economic growth of a country. The Council therefore welcomes the initiative the Governing Council of the United Nations Development Programme (UNDP) has taken in examining how technical assistance is provided, and for its own part has now conducted a more detailed study of the Report of the Expert Group on Support Costs.

The International Civil Aviation Organization was formed in order to develop standards, the uniform implementation of which is necessary for the safety, regularity and efficiency of civil aviation on a world-wide basis. Additionally today, the establishment of aviation security standards to combat acts of unlawful interference against civil aviation is one of ICAO's more important responsibilities.

With the establishment of the Expanded Programme of Technical Assistance (EPTA), the forerunner of the United Nations Development Programme, ICAO created the Technical Assistance Bureau to actualize the above-mentioned aims by delivering world-wide civil aviation technical co-operation. It has effectively fulfilled this purpose for the past 40 years in an unbiased manner to the benefit of all.

Therefore, in order to serve the interests and to meet the needs of the States in the best possible way, not only those receiving multilateral civil aviation development assistance, but also those States whose airlines are users of the aviation facilities, the Counci of ICAO urges the UNDP Governing Council to strongly recommend to the United Nations General Assembly that the option offered to smaller technical agencies as described in paragraphs 397 and 407-409 of the Report of the Expert Group be retained in the final decision on successor arrangements for agency support costs.

ICAO, in the spirit of improving co-operation with the developing countries, is prepared to adopt new procedures which would lead to the improvement of current methods of delivering technical assistance and, finally, ICAO is open to and welcomes negotiations concerning agency support costs.

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PROGRAMME IMPLEMENTATION

Agency support costs

Note by the President

The President of the Industrial Development Board (IDB) of UNIDO has transmitted to the President of the Governing Council his statement to the IDB, at its sixth session, on agency support costs.

The statement is transmitted herewith to the Council for its information.

GE.90-68003/3578a

Statement delivered by the President of the Industrial Development Board under agenda item 11 on agency support costs

The Industrial Development Board, during its sixth session, having considered document IDB.6/21, had intensive discussions on the subject of agency support costs. As President of the Industrial Development Board, I hereby wish to convey the essence of the discussions, as follows:

The Industrial Development Board took note of the options proposed in the report of the expert group on the study of successor arrangements for support costs and related issues, as well as other proposals put forward by the Administrator of UNDP, CCAQ(FB), specialized agencies and in particular by UNIDO, and more recently by the President of UNDP Governing Council.

The Industrial Development Board assumed that at the thirty-seventh session of the Governing Council of UNDP, a framework decision will be taken, outlining the general structure for the successor arrangements to facilitate consultations between UNDP and agencies. It recommended that, after such consultations, detailed decisions on successor arrangements be made with as full analysis as is possible of the financial impact on the organizations of the United Nations system and its implications for agency budgets, particularly stemming from cost sharing.

The Board believed that the present discussion and debate offer a timely opportunity to redefine the tripartite relationship. At the same time, it reaffirmed the importance of maintaining the technical expertise of specialized agencies and considered that its availability to developing countries should be ensured.

Desiring to strengthen further the capacities of developing countries, the Board reaffirmed the view that there should be gradual implementation of government/national execution of projects in accordance with national capabilities and government priorities, and that transitional arrangements, whenever appropriate, should be adopted to enable Governments and agencies to adjust to any new system of support costs and to changing functions envisaged for Governments and agencies.

The Board further believed that it is most important that any new arrangements should promote greater coherence, effectiveness and transparency in United Nations technical co-operation activities within the framework of a programme approach and thereby best meet the need of developing countries.

The Board requested me to inform you of its views. For further information I would like to refer you to the summary records of the Industrial Development Board on this issue.

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PROGRAMME IMPLEMENTATION

Agency support costs

Note by the President

The Executive Board of the United Nations Educational, Scientific and Cultural Organization, at its one hundred and thirty-fourth session in May 1990, adopted a decision regarding the subject of support costs, which has been transmitted to the President of the Governing Council.

The decision is transmitted herewith to the Council for its information.

GE.90-68031/6498A

Item 5.2 - Operational activities of the Organization, including Unesco-UNDP co-operation (134 EX/16)

14. After having examined this item, the Commission decided to recommend to the Executive Board the following draft decision:

The Executive Board,

1. Recalling decision 7.1 taken at its 132nd session which had reaffirmed the validity of the 1970 consensus, particularly with respect to the utilization of United Nations agencies in the implementation of multilateral technical co-operation programmes and projects,

2. Recalling also its earlier decisions which had fully endorsed system-wide efforts to improve the efficiency and quality of multilateral technical co-operation,

3. Having examined Part I of document 134 EX/16 and the 'Report of the Expert Group on Successor Arrangements for Support Costs and Related Issues' (DP/1990/9),

4. Expresses concern that the first recommendation of the Expert Group relative to the tripartite relationship and future roles (para. 479a of DP/1990/9), which seeks a more flexible interpretation of the consensus, may lead to an undermining of multilateralism and a weakening of the existing symbiosis between the regular programme and operational activities of the United Nations agencies;

5. Urges the UNDP Governing Council and the Administrator, in the light of General Assembly resolution 44/211, to take a cautious approach to an increased use of alternative modalities and to ensure the appropriate utilization of the technical and management capacities of the United Nations system at all stages of the programme and project cycle, in line with the terms of United Nations General Assembly resolutions 42/196 and 43/199;

6. Reiterates its support for the utilization of the government execution modality;

7. Stresses however its view that the substantive backstopping of this modality which may be required should be provided by United Nations agencies and that adequate compensation should be foreseen for this in any new support cost arrangements;

8. Reiterates the importance of UNDP's role as team leader and central co-ordinator of United Nations system operational activities at the field level;

9. Recommends that, among the criteria which should determine the choice of successor arrangements for financing support costs, the following should be given special consideration:

they should be easy to understand and administer;

they should be applicable to all funding sources;

there should be an equitable sharing of costs between the implementing agency and the funding source;

compensation for services rendered should be on a predictable basis;

10. Considers that, as agreed by ACC at its last session, the support cost financing options described in the Expert Group Report will require more time and more analysis before a decision can be taken;

11. Decides to re-examine the support costs issue at its next session.

15. Moreover the Commission decided to recommend to the Executive Board the following draft decision as appearing in paragraph 31 of part II or document 134 EX/16:

The Executive Board,

1. Recalling decision 7.1 taken at its 132nd session, by which it authorized the Director-General to negotiate a basic Executing Agency Agreement between UNDP and Unesco,

2. Having examined the 'Standard Basic Executing Agency Agreement' annexed to the present document (134 EX/16),

3. Approves the said Agreement and authorizes the Director-General to proceed with the signature of this Agreement between UNDP and Unesco.

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PROGRAMME IMPLEMENTATION

Agency support costs

Note by the President

The Chairman of the Task Force on Support Costs of the Consultative Committee on Substantive Questions (Operational Activities) (CCSQ (OPS)) has transmitted to the President of the Governing Council a report prepared by the Task Force on Support Costs and a summary of the views of the Working Party on Support Costs of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions).

The reports are transmitted herewith to the Council for its information.

GE.90-68074/6518A

CCSQ(OPS) Task Force on Support Costs

Meeting to Consider Recommendations of the President of the UNDP Governing Council on Agency Support Costs

- Geneva, 25 May 1990 -

Introduction

1. The CCSQ(OPS) Task Force met, with eight members representing seven agencies, 1/ to review recent developments, and in particular to set out its initial views on the report of the President of the UNDP Council, dated 22 May, 1990. The Coordinator, CCSQ(OPS) was present. A short joint session was also held with members of the CCAQ (FB) Working Party on support costs, specific aspects of which are reflected further below.

2. The Task Force noted that the President and Bureau of the Council, as well as their advisers, had expressed their appreciation of the participation of agencies in the "open-ended consultations" held in New York on 15 -16 May, and that the President and Advisers had arranged a special session with the Task Force on 17 May to discuss further the content and approach of the proposed recommendations to be submitted to the forthcoming 37th UNDP Governing Council.

Summarized Findings

3. The Task Force found that while the report provided a more considered point of departure for the discussion by the Council of the successor arrangements, than had heretofore been available from UNDP, it was essentially limited to the broad outlines of a policy framework, leaving major issues outstanding or requiring further elaboration/clarification. The feasibility of central parts of the framework itself thus required more examination. Overall there remained the need, before a substantive decision could be taken, to restate unambiguously the distinct roles of UNDP and its partners, and for an assessment of the organizational and financial implications and impact of proposed successor arrangements, including by the governing bodies of the organizations directly concerned.

4. The Task Force noted that the report of the President mainly described, in very general terms, two basic parts of a possible framework for the new arrangements: viz. (i) a facility for the funding of "up-stream" activities by agencies such as policy analysis, sector review work, and programming and (ii) provisions for agency support to project execution.

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1/ FAO, ILO, UNIDO, WHO, WMO, ITU and WIPO

5. Concerning the up-stream facility, (referred to as Technical Support Services - TSS), the Task Force noted that this paralleled the earlier proposal of UNDP. While in principle the increased availability of such financial support was strongly welcomed, members recalled that past experience with UNDP-sponsored Roundtables and NaTCAPs had not been encouraging. In addition the TSS, to be centrally managed by UNDP out of a predetermined sum, might prove difficult to reconcile with the diverse needs of over 140 countries, projected 2 years ahead. Additional evaluation of this proposal, and possible alternative approaches, were therefore necessary, including by the respective governing bodies.

6. Concerning the reimbursement of project support services provided by agencies, members stressed that this would continue to be a most important element in ensuring the adequacy and quality of the system's technical cooperation activities. In noting the proposal to separate administration from technical support to projects, it was pointed out that in numerous cases both kinds of expenditure were inextricably linked. Thus, the workability of dividing the two, whereby administrative support would be paid out of project budgets, and technical support out of a central facility (possibly linked to the TSS), should be subject to careful study. In this connection, the Task Force underlined the need for agencies to be able to provide required technical (and related administrative) support to projects, whatever their mode of execution.

7. The Task Force emphasized the significant progress, especially over the past decade, in making maximum use of national capacities in the technical cooperation of the system. This was reflected in the current wide-spread use of national project directors and experts, and of sub-contracting to national institutions, NGOs and other entities. It reiterated the commitment of organizations to promoting national execution, while ensuring that governments would continue to have full and direct access to the technical expertise of the system. Members underlined that the use of the national execution modality could not be legislated; this was a matter for individual governments to decide in the light of their varying needs and capacities.

8. Expressing concern that the earlier proposals of the UNDP administration envisaged as much, if not more, of a potential change from agency execution to UNDP/OPS or field office execution than to national execution, the Task Force welcomed the indication in the President's recommendations that shifts from agency to national execution should involve a reduction in the role of UNDP/OPS. In the same context, members underlined that national execution should not become in effect UNDP field office execution with consequent further rises in UNDP administrative costs to the detriment of resources available to the programme.

9. The Task Force expressed its agreement with the President's statement that the use of NGOs and organizations outside the UN system should be under sub-contracting arrangements. This would help ensure, where such outside sources were used, that governments would continue to benefit from the neutral technical advice, monitoring and appraisal of the specialized and technical agencies.

10. Generally, the Task Force considered that the framework package described could prove relatively complicated to apply, and would not easily lend itself to use under other programmes, such as agency Trust Funds. This aspect would be exacerbated by the implied intent to pursue a heterogeneous approach in the application of the new arrangements to different organizations, an approach which the Task Force firmly believes should be avoided. In this connection, however, members expressed their support for the continuation of flexibility arrangements for the small technical unisectoral agencies, in view of their special circumstances and requirements.

11. On the follcwing financial issues the Task Force:

(a) noted that the recommendation to set the ceiling on proposed central facilities for technical support service (TSS) funds at the 37th session would appear premature, since the determination of overall feasibility aspects, and possible rates for the various services in question had not yet been undertaken.

(b) reaffirmed the principle of an equitable sharing of support costs between organizations' regulr budgets and UNDP which should be embodied in the substantive proposals which could be placed before the UNDP Governing Council in 1991. Clear guidance on this fundamental aspect could usefully be given at the present Governing Council session. It again stressed the significant proportion of project support services currently available to UNDP programmes through organizations' regular budgets.

(c) noted the recognition in the President's report of the potentially serious implications for the staffing and structures of organizations, as a result of possible new arrangements envisaged in the proposed policy framework package, and hence of the need for adequate transitional protection, for which the overall magnitudes would have to be quantified. Whatever the eventual arrangements, a commitment to the principle of establishing a floor level for agency support costs reimbursement, as was done in 1980, would be desirable.

(d) offered to collaborate without delay in developing the kind of cost measurement instruments referred to in the President's report, to provide a realistic basis for determining reliable cost data for new support costs arrangements in the Fifth Cycle. It drew attention to the need for agreement on this subject by the Governing Council, if results were to be taken into account at its session in 1991.

12. Finally, the Task Force emphasized that if a preliminary framework decision were to be taken in spite of the uncertainties and divergencies of view which prevail, this should clearly delineate the role of UNDP within a strcng tripartite relationship as laid down in the Consensus, to avoid misunderstandings which would be harmful to the required process of further analysis of these major support cost issues. In this context, the Task Force expressed its readiness to contribute fully, and jointly with UNDP, to this important process over the next year.

## Summary of the views of the CCAO(FB) Working Party on Support Costs on financial aspects of the report of the President of the Governing Council of UNDP on agency support cost successor arrangements

1. The Working Party on Support Costs of the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) met on 24 and 25 May 1990 to review, from the financial point of view, the current position with regard to successor arrangements for the present system of agency support costs for activities financed by UNDP, in advance of the thirty-seventh session of the UNDP Governing Council (28 May - 22 June 1990).

2. In particular, the Working Party analysed the financial aspects of the report prepared by the President of the Governing Council in response to its decision 90/5, of 27 February 1990, in some detail. It took no position on the recommendations in the report, the general policy implications of which were to be dealt with in a statement by the Task Force on Support Costs of the Consultative Committee on Substantive Questions (Operational Activities). The participants believed, however, that they might usefully comment on certain financial issues raised in the report, some of which called for decisions at the Governing Council's thirty-seventh session. The Working Party's views on these issues are summarized in the paragraphs which follow. 1/

3. The President had recommended that the Governing Council might, at the thirty-seventh session, limit itself to adopting a general support-cost policy framework, while providing guidelines at the same time for consultations to be held between the Administrator and agencies to work out the details of a new system. On the basis of joint proposals resulting from these consultations, the Governing Council would then be able to adopt detailed support-cost arrangements at its thirty-eighth session.

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1/ In view of positions taken by its governing body, the International Civil Aviation Organization (ICAO) was not associated with these comments.

4. The Working Party found that such a timetable would be a wise one for several reasons, not least because, as noted by the President in paragraph 34 of the report, the financial implications of new arrangements remained to be worked out. These implications would indeed have to be known with some precision before the Governing Council could make a full evaluation of any such arrangements from the point of view of policy objectives and resource utilization, and the administrations and governing bodies of executing agencies of the system could assess their potential organizational and staffing impact and their consequences for regular budgets. Agencies were fully prepared to co-operate with the Administrator in defining and analyzing the relevant factors. This process would among other things involve cost-measurement studies, which are the subject of paragraph 8 below.

5. In connection with the general question of financial implications, the participants in the Working Party restated their attachment to the principle of equitable sharing of the cost of support services between the funding sources of development co-operation activities and regular budgets. They believed that this principle, as a concrete expression of the partnership concept, should be embodied in any detailed proposals for support-cost arrangements that might be submitted by UNDP to the Governing Council in 1991; guidance might usefully be given by the Governing Council to this effect. The pressures placed on regular budgets by policies of zero programme growth, delayed payments of assessed contributions and the effects of currency fluctuations would make it difficult to envisage a proportionately higher level of regular budget participation in the financing of support-cost expenditures in the foreseeable future. This would be the case even if the absolute level of agency support services should decline.

6. A related, but separate consideration was that of transitional arrangements, brought up by the President in paragraphs 9, 26 and 27 of the report. The contractual obligations assumed by executing agencies in order to provide support services through infrastructures gradually built up under the system in effect since the 1960s extended to large numbers of staff. Many of these, after already long service, could not be redeployed and would also not be rapidly lost through attrition in the event of a reduction in the level of

support-cost earnings for project execution during the fifth programming cycle. The Working Party recalled that the support-cost arrangements adopted in 1980 provided for the maintenance of a floor for UNDP support-cost payments to individual agencies at the existing level for a transitional period of five years, and hoped that, whatever new support-cost system might eventually be adopted, a similar floor provision at the 1990 level of support-cost earnings could be established for the fifth programming cycle (if necessary in diminishing amounts from year to year) to facilitate possible adjustments, including indemnity settlements, and restructurings. Agencies would welcome a commitment to such transitional arrangements on the part of the Governing Council in the context of the framework to be decided upon at the thirty-seventh session.

7. The Working Party agreed with the President's observations and recommendations, in paragraph 22 of the report, concerning the continuation of existing support-cost arrangements for agencies which currently benefited from flexibility provisions. As recommended in the report, these arrangements should take account of inflation since 1980, and the disadvantages of major changes in the thresholds should be avoided. Generally, the small unisectoral agencies had suffered substantial losses in the real income from support-cost reimbursements in spite of higher project delivery. Protection against such losses should be provided in the successor arrangements. Parallel arrangements should apply to smaller executing agencies forming part of the United Nations, as recommended. It would be desirable for the case of the smaller agencies to be taken into account in the consultations on currency fluctuations which were recommended in paragraph 24 of the report, and in which all agencies would wish to participate.

8. In relation to the detailed reimbursement modalities to be worked out for submission at the thirty-eighth session, the Working Party noted, and supported, the suggestions in the report, notably in paragraph 20(a), that the Governing Council might give consideration to cost-measurement instruments. As agencies had already indicated at earlier meetings of the Working Party, they were prepared to make their best effort to collaborate in this area and, in the absence of other available resources, to contribute inputs to cost-measurement activities in the form of staff time. However, the Working

Party saw such activities as much more than a means of enhancing transparency in the use of support-cost monies. It agreed with the President's view in paragraph 20(a) that "cumbersome project-by-project negotiation should be avoided and efforts made towards the development of standard rates for different clusters of services"; they also believed that such rates should wherever possible be for automatic application. In the areas where the rates were needed, i.e. for project-level services, they could be developed and controlled only on the basis of reliable cost data, of the kind obtained through cost-measurement studies. For reasons of costs and effectiveness, the Working Party favoured such studies in the form of periodic surveys rather than as a continuing mechanism. It also supported the President's view, in the same paragraph, that at this stage the Governing Council should request the Administrator to collaborate with the agencies to update cost estimates and develop a proposal for differential rates, and believed that this could best be accomplished through a cost-measurement study. Because of the time required to select qualified experts, to design and operate systems and to analyse results, action would need to be initiated in the very near future if the findings of such a study were to be available in time to be taken into account in proposals that could be placed before the Governing Council in 1991; a decision requesting the Administrator to proceed with this study immediately would therefore be appropriate at the thirty-seventh session.

* * *

9. The attention of the Governing Council was invited in particular to the suggestions underlined in paragraphs 5, 6 and 8 of these comments.